

United States Senate

WASHINGTON, DC 20510

November 6, 2003

Dear Conferee:

We are writing to express our serious concern that the Medicare legislation now in conference may result in many retirees losing their current prescription drug benefits. According to the Congressional Budget Office (CBO), if either of the Medicare drug bills now in conference becomes law, one third of retirees – **which translates into four million seniors** – who now have employer-sponsored prescription drug benefits could lose that coverage. While we strongly support enacting a Medicare prescription drug benefit that will provide seniors across the country with access to life-saving medicines, we believe any incentives that would lead to reductions in retiree health coverage must be eliminated or significantly reduced.

As a result of certain features of the two bills, those employers who maintain their retiree health benefits would see their retirees receiving less of a Medicare subsidy than a beneficiary without employer-provided benefits. This disparate treatment, CBO argues, acts as a disincentive to employers to maintain prescription drug benefits and share in the cost of providing prescription drug coverage, as they do now for 12 million beneficiaries.

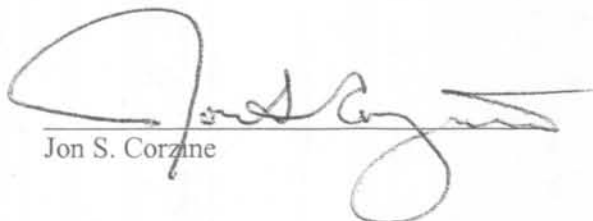
A significant portion of the revenue associated with the Medicare prescription drug bill has accrued as a result of projected tax savings associated with employers dropping retiree health prescription drug coverage. We believe these savings must be used for tax incentives to eliminate the difference in subsidy levels between those beneficiaries with employer-sponsored coverage and those without, in order to help ensure that employers maintain their prescription drug coverage.

Retiree health coverage is already in crisis. Drug costs constitute 40 to 60 percent of employers' retiree health care costs, forcing employers to take steps to reduce or eliminate retiree health benefits. In fact, just 34 percent of all large employers offered retiree benefits in 2002, down from 68 percent of all large firms in 1988. Employers need immediate relief for their retiree prescription drug costs, but the bills in conference will exacerbate an already dire situation for retiree coverage by discriminating against retirees with employer-sponsored coverage.

As the conference works to conclude its deliberations, we urge conferees to take steps to eliminate or significantly reduce any incentives for employers to drop prescription drug coverage. We believe that appropriately-structured tax incentives can achieve this outcome, and we cannot support a final Medicare prescription drug benefit conference report without these improvements. Seniors who have retiree benefits have worked a lifetime for these benefits. As Members of Congress, we have a responsibility to protect them.

Sincerely,


E. Benjamin Nelson


Jon S. Corzine

John Stenhouse

Ron Wyden

F.D. Kennedy

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Herb Kohl

Frank R. Lautenberg

Carl Levin

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Bill Nelson